FOREIGN BROADCAST INFORMATION SERVICE

Daily Report
Supplement

East Europe

Economic Review

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East Europe
SUPPLEMENT
Economic Review

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Albania

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COMPANIES TO BE PRIVATIZED: On October 26, 1995, the Finance Ministry of Albania announced that after the first 20 enterprises, 30 others will be privatized through the purchase of shares with vouchers, lek or privatization bonuses. The companies to be privatized are in 11 districts of Albania and five of them will be only partially privatized. A U.S. team has come to help in this stage of mass privatization in the context of the cooperation of Albania with the World Bank. The Public Companies' Department has about 80 enterprises transformed into shareholding companies. Beginning with October 2, 1995, a Funds and Investments Observation Committee will be functioning to help those who want to create funds of investments. (Tirana ATA in English 1010 GMT 28 Oct 95)

AGREEMENT WITH GERMAN FUND: The German Bank for Development (KFW-Reconstruction Loan Association) granted 10 million German marks (DM) for a new job project, started in 1994, through the German Fund. This project is part of the economic cooperation between Albania and the Federal Republic of Germany. The first phase of the program for 1995 includes a fund worth DM5 million. The program aims at mobilizing free working forces in the cities mainly for public utilities: pavements, roads, channels rehabilitation, etc. Some 400 persons have been employed in Kavaje and 220 persons in Has and Kukes. Representatives of the Albanian Government, KFW, and German foundation for the financing of enterprises in Albania signed the agreement marking the start of the activity of the German Foundation to finance small- and medium-sized enterprises in Albania. (Tirana ATA in English 1125 GMT 26 Oct 95)

Bosnia-Herzegovina

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CONTRACT WITH MALAYSIA: Energonivest Sarajevo has won a major turnkey contract to design, deliver equipment, construct, and put into operation four 130-kW transformer stations. The value of the contract is $11.2 million and the completion time is 18 months. This is the first job won by a firm from Bosnia-Herzegovina in an international tender, competing against the world's largest companies. (Sarajevo Radio Bosnia-Herzegovina Network in Serbo-Croatian 1800 GMT 31 Oct 95)

Bulgaria

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PRIVATIZATION ACT DEBATED: Revisions and additions to the Transformation and Privatization of State-Owned and Municipal-Owned Enterprises Act were adopted on first reading on 2 November by 116 votes to 41, with 24 abstentions. Parliament chose the government-sponsored Bill from among five drafts. It will form a basis for a law incorporating MPs' written proposals made within two weeks. The amended version will make provisions for new aspects of the privatization process, introduce additional procedures for small privatization, and regulate privatization through investment vouchers, the sponsor says. Programs drawn up by the Mass Privatization Center are to be added to those prepared by the Privatization Agency. The bill expressly states that the program for investment voucher (i.e. mass) privatization is drawn up for each individual stage and is approved by parliament on a proposal by the government. The amendments make it possible to combine mass and cash privatization and sell off enterprises by a combination of the two. Where both cash and mass privatization are effected, the share capital put aside for employee buyout will be proportional to the amount of shares earmarked for each type of privatization. Only state-owned joint-stock companies will be subject to sell-off through investment vouchers according to the proposed amendments. The acquired shares cannot be transferred in the six months following the last centralized auction. It is proposed that investment vouchers be inheritable as provided for in the act which is in effect now. Each Bulgarian citizen is entitled to nontransferable investment vouchers worth 25,000 leva. It is proposed that they be sold at a discount to low-income groups, including pensioners, jobless people and university students. (Sofia BTA in English 1556 GMT 2 Nov 95)

PRIVATIZATION LIST: The Center for Mass Privatization has tabled before parliament amendments to the list of enterprises put up for privatization through investment vouchers. The new version was introduced on the request of the National Assembly Economic Committee, which rejected the original list submitted by the government. The list which the cabinet approved on October 12 contained a total of 1,223 enterprises with an aggregate fixed capital of 211,000 million leva. Of them 685 were in industry, 70 in construction, more than 300 in agriculture, 21 in trade, 56 in tourism and five in the energy sector. Center for Mass Privatization Director Kalin Mitrev then said that the campaign could start as early as October 20, with registration of the voucher books, provided that parliament expedited the approval

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of the list. Right after that, however, more than 300 companies protested their inclusion in the mass privatization list, and some were removed from it. The new version is to drop 51 enterprises. Some of them were in a deep cash crisis in 1995, and others have serious problems with the legal status of their property. Legal analysis has not been done for about one in three of the entities put up for mass privatization, Mr. Mitrev says. Others figure on the list of enterprises which are unprivatizable until the end of this year by the Privatization Agency, or their privatization by other methods has reached an advanced stage. Still other enterprises are in liquidation or subject to restitution claims. The revised version of the list has been approved by the cabinet, the Center for Mass Privatization said. The revisions will decrease the aggregate fixed capital available for mass privatization by some 9,000 million leva: 5,800 million due to the delisting of 51 enterprises and 3,300 million due to changed privatizable portions. The MP's have already been asked to add to the list 33 new companies with an aggregate fixed capital of 4,800 million leva and privatizable portion of 2,400 million leva. They include eleven subsidiaries of Bulgartabak Holding, divisions of Incoms Inc., two wineries, two breweries, and construction companies. The center estimates that re-registration of the enterprises as joint-stock companies will take three months and finalization of the list two months. According to the center's schedule, the first centralized auction is to take place in March. (Sofia BTA in English 1321 GMT 10 Nov 95)

1996 INCOME POLICY PROJECT: The Ministry of Labor and Social Affairs forecasts that real incomes will stop falling in 1996. At a meeting of the National Council for Tripartite Cooperation on 8 November, First Deputy Labor Minister Goran Bankov presented a ministry project for income policy next year. In 1996, salaries in the state-financed sector are expected to grow at the pace of projected inflation. Wages will be increased semiannually, on 1 April and 1 October, by half of the projected inflation rate for the year. If the actual inflation 1 by December 1 outruns the projected figure, payments will be adjusted accordingly. The government will seek to link wages in industry more closely to financial and economic performance. Principles underlying the project include: adjustment of wages to inflation on a quarterly basis, keeping the same formula in budgeting the funds for wages, and liberalization of tax rates for well-performing companies. (Sofia BTA in English 1952 GMT 8 Nov 95)

EIB GRANT FOR ROADS: The European Investment Bank (EIB) will provide an ECU60-million loan for upgrading the roads in Bulgaria as soon as the agreement is ratified by the National Assembly. The government approved on 9 November the transport minister's report on the progress of the loan agreement and will move it to the parliament for codification. An agreement with the EIB was signed on July 20, 1995 for continuing the renovation of the roads under the "Bulgarian Transit Roads II" project. The project needs another ECU133 million, of which ECU60 million are planned to be provided by the EIB, ECU30 million from the PHARE (Economic Reconstruction Aid for Poland and Hungary) program and ECU43 million from the public purse. The program envisages that major roads of a total length of 1,000 km be restored by the year 1998, the repairs progressing at an annual rate of 500 km. Under the financial conditions of the agreement, the loan is to be repaid within 17 years with a 5-year grace period and in equal 6-month installments made for 12 years. The interest rate was agreed to be equal the bank's interest rate on the day when a tranche is repaid. The required funds have been planned to be raised from taxes charged on transit and off-gauge cargoes passing through Bulgaria and other charges, according to the tax rates approved by the Transport Ministry. Their amount is projected at ECU10-12 million per year. (Sofia BTA in English 1630 GMT 9 Nov 95)

TOURIST REVENUE: The Committee of Tourism projects 1995 proceeds at $900 million, with foreign currency proceeds up 22 percent from 1994, Boris Gulubov, Head of the Committee's Privatization Section, said at a briefing on 2 November. The tourist industry will generate 2.3 percent of GDP in 1995 according to experts. It is projected to rise to 4.2 percent in 1996, with foreign currency proceeds going up 25 to 30 percent a year. These figures are cited in a medium-term development strategy which will shortly be submitted to the Council of Ministers. Deputy Prime Minister Rumen Gechev was familiarized with the document at a working meeting on November 1, attended by the managers of the 25 largest state-owned tour operators in Bulgaria, owning 80 percent of assets. A similar meeting will be held with large private tour operators. The managers called for lower resort taxes and state forestry fund charges, the rescinding of royalty charges paid by CIS tourists on chartered flights, and preferential treatment for beach users. Most problems will be solved after the enactment of a law on tourism and implementing regulations to the Concessions Act. Gechev pledged his assistance. Tourism is a priority sector for Bulgaria and should be encouraged, the participants in the meeting agreed. (Sofia BTA in English 1331 GMT 2 Nov 95)

RAIL LINK WITH GREECE: The Bulgarian side of a mixed Bulgarian-Greek transport commission undertook to expand the approaches to the Kulata checkpoint

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on the Bulgarian-Greek border and reconstruct the railway linking Kulata and Blagoevgrad. The Greek side insisted for a speedy expansion of the second bridge at Kulata, Transport Minister Stamen Stamenov said. The Bulgarian-Greek transport commission is meeting in Sofia this week to discuss the licensing regime for carriers, road tolls, and projects for new border crossings. The Bulgarian officials made public Balkan Airlines' plans to open a regular air service to Thessaloniki. (Sofia BTA in English 1450 GMT 2 Nov 95)

RUSSIAN SMALL FIRMS: Petyu Bluskov, president of the Union for Private Economic Enterprise, and Aleksandr Joffe, president of the Russian Association for the Development of Small Entrepreneurship, signed a cooperation protocol in Sofia on 4 November. This is the first agreement promoting ties between small private businesses in the two countries. The aim is to establish regular contacts between individual and corporate members and between regional and sectoral structures, exchange information on entrepreneurship, and organize seminars and conferences. A delegation of the Russian association visited Sofia from 2 to 4 November to discuss issues concerning small private companies. (Sofia BTA in English 1735 GMT 4 Nov 95)

FERRY FOR BURGAS-POTI ROUTE: Komco has acquired the biggest ferry in this country. The roll on-roll off ship weighs 10,000 metric tons, with a length of 168 meters and three freight and two passenger decks, and can carry up to 100 trucks and 250 passengers. It was made in Baku, and until recently ran between Baku and Kislovodsk. The ferry will run between the Burgas and Poti in Ukraine. (Sofia PARI in Bulgarian 2 Nov 95 p 4)

GAS COMPANY WITH RUSSIA: On 7 November the Bulgarian-Russian partnership Topenergy, formed to deliver and market Russian natural gas in the Balkans, decided to increase its capital from 60 to 120 million leva, it was agreed at a general meeting between the representatives of Bulgargaz and Gazprom of Russia. According to Bulgargaz Executive Director Angel Popov, several variants for the participation of private and state-owned Bulgarian economic structures in the partnership will also be discussed. (Sofia BTA in English 2041 GMT 7 Nov 95)

WORKERS TO GERMANY: About 1,200 Bulgarian construction workers per month will be able to work in Germany next year under an agreement signed with the German Ministry of Social Affairs, Milcho Dimitrov, head of the National Employment Service, announced on 7 November. Another Bulgarian-German agreement for a total of 1,000 persons per year includes three separate projects in the hotel and catering industries, meat processing, and care for the sick and elderly. (Sofia BTA in English 2041 GMT 7 Nov 95)

TRADE SURPLUS FOR 1995: In the press on 8 November, Kiril Tsochev, deputy prime minister and minister of trade and foreign economic cooperation, said that exports this year will exceed imports by about $512 million. Tsochev intends to seek tax preferences provided for companies dealing with foreign trade, energy and transport. (Sofia BTA in English 1124 GMT 8 Nov 95)

Croatia

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ADRIATIC PIPELINE: The Croatian Privatization Fund decided on Monday evening to sell 25 percent of the Adriatic Pipeline shares, assessed to nominal value of DM185.75 million, to Hungarian oil company MOL and Austrian OMV. The two buyers agreed to purchase 12.5 percent of the asset each, manager of the Fund Ivan Penic said. The contract envisaged 30 percent of the outlay should be paid immediately and the rest in five annual installments with the interest of 8.5 percent. The Privatization Fund also decided to sell 27.76 percent shares of the Dubrovnik hotel in Zagreb, nominal value of DM7.4 million, to a group of expatriates from the Cleveland, U.S. company American Croatian-Investment Group. Another group of expatriates, Croatia America Enterprise, was to buy 30.42 percent of the Zadranka company from Zadar, nominal value of DM6.18 million, 20 percent of that to be paid immediately and the rest in 48 monthly installments. Negotiations with Germany's Siemens were over and it has been decided it would buy 43.95 percent shares of the Zagreb ATM Company, assessed to DM9.29 million. (Zagreb HINA in English 1009 GMT 31 Oct 95)

RECONSTRUCTION LOANS: Pliva Pharmaceuticals and the European Bank for Reconstruction and Development (EBRD) today signed a contract for two loans—a $20,000-loan for the construction of a new azytromicyne plant and a DM60,000-loan which would be converted into EBRD's stake in the company (11 percent). EBRD also signed a contract with the Pension Fund which owns a sizable chunk of the Pliva stock. The contract was endorsed by Croatia's Government and Privatization Fund. Involved in the negotiations were Pliva General Manager Zeljko Covic, First EBRD Vice President Ron Freeman, Croatian Deputy Prime Minister Borislav Skegro, Privatization Fund Chairman Milan Kovac and

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Pension Fund Director Stjepan Brcic. (Zagreb HINA in English 1659 GMT 31 Oct 95)

TAX AGREEMENT WITH HUNGARY: Hungarian and Croatian financial experts drafted an agreement on double taxation avoidance and income and property tax during a two-day meeting in Budapest which finished on 9 November. The agreement was expected to be signed after approval from the governments of the two countries. A member of the Croatian delegation, Damir Dosen, said that the signing of this important bilateral agreement would encourage bilateral investments in Croatia and Hungary and other forms of financial cooperation. (Zagreb HINA in English 1754 GMT 9 Nov 95)

Czech Republic

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ECONOMIC OVERVIEW, FORECAST: A continual growth trend in the GDP has made it possible to forecast 5 percent GDP growth for next year. While last year's GDP growth rate was 2.6 percent, it was 4 percent in the first half of this year, and the forecast for the whole year is 4.1 percent, according to an updated prognosis of the Czech Republic's macroeconomic development in 1995 and 1996. Chairman of the Czech Statistical Office (CSU) Edvard Outrata acquainted the cabinet with the study on 8 November. The growth rate of industrial output accelerated from last year's 2.1 percent to 7.8 percent in the first nine months of the year. The growth rate for this year is estimated at 7 to 7.5 percent, but a slight slowdown to 5.5 to 7 percent is expected for next year. While the expected growth rate in construction (8.0 percent) will be half a percentage point higher than last year, next year a slight drop down to between 7 and 8 percent can be expected. Gross agricultural output has stopped falling, and an increase by 2.5 percent is expected in 1995. Labor productivity growth has been the largest in industry and the construction industry, rising by between 8 and 9 percent, according to the CSU. Domestic demand in real terms grew in the first half of 1995 more quickly (by 5.1 percent) than external demand (4.4 percent). Imports rose 21 percent in the first half of this year which caused a trade deficit of 68 billion Czech korunas (Kc) for the first nine months. The deficit for the whole of 1995 is estimated at Kc85-95 billion. According to the CSU study, the rate of investment in the first half of the year was 23.6 percent in current prices. The estimate for the whole year is around 30 percent. The rate of engineering investments has been twice that of the rate of investment in construction. Household savings have been stable at 10 to 11 percent of disposable incomes. No major change can be expected in this sector, according to statisticians. The net foreign capital inflow to the aggregate account of the payments balance totalled $3.1 billion in the first half and is expected to total $5.7 billion for the whole year, that is 12.5 percent of GDP. However, the growing deficit in the trade and payments balance should not be underestimated, according to the CSU study. The structure of imports in the trade balance confirms that imports have been increasingly used for investments. While imports of goods rose by 29 percent in current prices over the first nine months of this year, imports of machinery and equipment grew by 32 percent. Also the rate of import of industrial consumer goods and foodstuffs grew more rapidly (19 and 24 percent respectively in the first to third quarter) over domestic supplies. The high growth rate in imports has been encouraged by their relative cheapness owing to the rapid revaluation of the Czech koruna and to gradual cuts in customs tariffs. In contrast to the speedy growth of imports, the export growth rate has not significantly exceeded last year's figures. The 9.3 percent exports growth in the first three quarters was largely due to the rise in foreign prices. The rate of investment into fixed capital assets will exceed 30 percent in current prices, the study says. (Prague CTK in English 1903 GMT 8 Nov 95)

PRIVATIZATION: On 2 November, Prime Minister Vaclav Klaus made a statement on what Plzenska Banka (PB) is calling the "third wave of coupon privatization." Klaus said there is no third wave. In an effort to buy up more shares in investment funds, PB has launched a massive campaign aimed at minority shareholders. The bank has sent 5.5 million letters to Czech citizens in envelopes marked "the third wave of privatization—information for investment coupon holders." The envelopes contain contracts for the sale of shares. Klaus said: "I say responsibly that this activity has nothing to do with the first and the second wave of coupon privatization organized by the government in past years. The act is an abuse of the name 'wave of privatization,' which is known by the public as a transfer of state property to the hands of private owners organized by the government. I emphasize that this is no privatization wave but a private activity of one financial group, an appeal for the sale of shares between two private shareholders." (Prague CTA in English 1649 GMT 2 Nov 95)

STUDY ON ECONOMIC TRANSITION: Private enterprise generates a greater share of GDP in the Czech Republic than it does in any other central or eastern European country, according to a bank's study. The EBRD's 1995 Transition Report puts the share of the Czech private sector at 70 percent, a figure which is also

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not beaten by any of Baltic states or countries of the former Soviet Union. The report, which focuses on the changes achieved since the former communist countries began to drop their command economies in favor of the free market, lists Estonia as having the second highest private sector share, at 65 percent. Albania, Hungary, Latvia, Poland, and the Slovak Republic are at 60 percent. At the other end of the scale, at just 15 percent, are Belarus, Tajikstan, and Turkmenistan. The Russian Federation comes in at 55 percent. The Czech Republic, on a scoring system of one to four, also has the highest aggregate score when you add up its marks for large-scale privatization (4), small-scale privatiz ion (4), enterprise restructuring (3), price liberalizator (3), trade and foreign exchange system (4), competition policy (3), banking reform and interest rate liberalization (3), securities markets and nonbank financial institutions (3) and legal reform (4). The report concludes that "quality investment, and lots of it, is the key ingredient to successful transition to market economies." (Prague CTA in English 1505 GMT 1 Nov 95)

SMALL BUSINESS ACT: The Czech parliament passed a government amendment to the law on small businesses, with 129 MP's in favor, 37 against, and 7 abstaining from voting. The amendment facilitates further liberalization of conditions for enterprise in the Czech Republic. It should, for example, limit the state's interference with private enterprise. The number of regulated business licenses was reduced from the current 150 to 108. Only traditional crafts and trades dealt with in other laws are to be regulated in the future. The amendment introduces a new term—industrial performance of businesses. From now on, business licenses will be issued for the final product and not for the individual production procedures. Companies will not, therefore, have to have hundreds of business licenses, which will simplify relations between companies and authorities, according to Economy Minister Karel Dyba. Under the amendment, foreign entrepreneurs in the Czech Republic will have to produce documents proving they have a clean police record in their home country or in the country where they were previously resident for at least three years. They and their statutory representatives will have to prove a basic knowledge of the Czech language. Entrepreneurs are obliged to announce any change in the legal form of their companies to a business licensing office within fifteen days of making the change. The amendment states that entrepreneurs must comply with the new conditions within nine months of it coming into effect. If they fail to do so, they may face withdrawal of their trade license. Fines of up Kc200,000 can be imposed for violations of the law. (Prague CTA in English 1306 GMT 1 Nov 95)

TRADE LICENSING LAW: On 1 November, parliament approved an amendment to the trade-licensing law. One hundred and twenty-nine Members of Parliament voted for the amendment, 37 voted against, seven abstained and four MP's, who were present, did not vote. The amendment will require foreigners to prove they have a clean criminal record in their home country or in the last place they lived permanently before they receive a license to do business in the Czech republic. All of the ruling Civic Democratic Party MP's present (62) voted for the amendment, as did 22 Christian Democratic Union-Czechoslovak People's Party members, 14 Civic Democratic Alliance members, six Christian Democratic Party members and five MP's for the Liberal Social National Party. (Prague CTA in English 1700 GMT 1 Nov 95)

STOCK FRAUD: The fledgling Czech stock market has fallen victim to fraudulent transactions, and Komercni Banka (KB) has to pay for it. The KB faces a loss of about Kc1.5 million due to the unauthorized sale of shares from five companies in its portfolio and the unauthorized purchase of shares of two other companies, the bank told CTA on 6 November. The shares were sold and the money received by a third party before KB knew about it, said a bank spokesman. By using unauthorized orders in the automated RM-System, several transactions with securities from the KB portfolio in the total volume of Kc15 million were performed by the end of October. After discovering that the orders were not authorized, RM-System officials notified KB. The bank says they have no knowledge of who performed the transactions and agreed to compensate the purchasers for the shares they bought in return for their shares back. The RM-System has filed a lawsuit against the culprit. The case is currently being investigated. (Prague CTA in English 2022 GMT 6 Nov 95)

PLZENSKA BANKA: Plzenska Banka and Ceska Sporitelna reached an agreement on 6 November 1995 stabilizing relations between PB's main shareholders, said Motoinvest director Jan Dienstl. The insurance company Ceska Pojistovna agreed to sell off its share in PB to a Motoinvest fraction under the condition that other shareholders will be allowed to sell their stakes. Dienstl noted all concerned parties expressed satisfaction over the concluded agreement. The PB ordeal started on 26 October when it started a massive purchase of investment fund shares and gained control of some bank-owned investment funds from the first wave of coupon privatization. On 27 October, the bank's Board of Directors attempted to raise its share capital Kc200 million to Kc800 million. However, the supervisory board cancelled the increase later that day. The reason given was violation of the bank's Articles

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of Association. An extraordinary general shareholders' meeting was called for 28 November by the bank's majority shareholder, Ceska Pojistovna. The shareholders present at the meeting represented more than 61 percent of the share capital. The meeting confirmed cancellation of the share issuance from 27 October. The board of directors was dismissed and a new board was elected at the meeting. Igor Valtr from Ceska Pojistovna was elected as chairman of the board. The bank's control department was tasked to start an extensive analysis of the bank's past financial operations. The group headed by Motoinvest, the second biggest shareholder, called for another general meeting on the same day, 28 October. The meeting was attended by the rest of the shareholders and a second board of directors, led by Dienstl, was elected there. PB has had two boards of directors since that date. (Prague CTA in English 2012 GMT 7 Nov 95)

Hungary

AU2710100095 Economic Review—

MNB HEAD OPTIMISTIC: Since this March, both economic and financial trends have been improving in Hungary, Hungarian National Bank (MNB) Chairman Gyorgy Suranyi said. Currency speculation has become a thing of the past, with free market rates fluctuating in the lower half of the central bank's intervention band. The current account deficit, almost $1.5 billion in the first quarter of the year, rose only $670 million in the second quarter, and perhaps less than $400 million in the third. The balance of public finances showed a similar trend: Its deficit was 150 billion forints (Ft) in the first quarter, Ft75 billion in the second, and Ft50 billion in the third. Due to progress toward the restoration of financial balance, interest rates have been falling since June, and there has been a shift in demand for long-term state bonds and treasury bills. Interest on one to three-month state bills have fallen from 33 to 30 percent, and those on six to 18-month bills from 35 to 31 percent. (Budapest MTI in English 1559 GMT 3 Nov 95)

LOAN REPAYMENT: "Hungary's external payment positions have considerably improved in recent months and its foreign currency reserves have also increased substantially, totalling $9.1-9.2 billion at current rates. In view of this, the government, in agreement with the MNB, has decided to repay some of the country's debts to the IMF ahead of schedule," MNB Chairman Gyorgy Suranyi said of the government's decision to repay in November $620 million of its debt to the IMF, due before the end of 1998. As a result of earlier repayment, Hungary's current debt of slightly more than $1 billion will fall to $400 million, which will be due in and after 1999. (Budapest MTI in English 0750 GMT 3 Nov 95)

1996 DRAFT BUDGET: The debate on Hungary's 1996 budget began in 7 November plenary session of Parliament with a speech from Finance Minister Lajos Bokros. The minister said the bill for next year's budget was of vital importance in determining whether the stabilization program announced in March would continue or not. It is in the interests of the whole of society that the stabilization scheme should be implemented and help set the economy on a course for sustainable growth from 1997-1998, since only growth can provide the remedy for Hungary's current problems. The main aims of the new economic policy formulated in the draft are as follows: 1) halting the increase in Hungary's net debt stock, which will require a reduction in the current account deficit to below $2 billion and an improvement in the balance of payments by $800-900 million; 2) curbing the growth of internal state debt, meaning that aggregate public sector borrowing should not exceed 4 percent of GDP; 3) stimulating investment by limiting the credit needs of the public sector and improving the consumption-accumulation ratio; 4) slowing the rate of inflation. Bokros said these goals could be attained by building on the foundation laid by the March austerity measures. The economic policy goals can be achieved only if the standard of living does not rise and if real wages decrease, he added. "It is difficult to win confidence in advance, but if efforts to reach a critical mass of changes fail, Hungarian society will be unable to break out of the vicious circle in which greater growth is accompanied by a worsening balance," the minister explained. Among next year's tasks, Bokros mentioned beginning the reform of the major distributive systems and continuing the overhaul of public finances. Cutting the budget deficit is of vital importance, if only because the interest payable on debt accumulated so far amounts to over Ft500 billion, a quarter of total government expenditure, Bokros said. (Budapest MTI in English 1336 GMT 7 Nov 95)

DEBATE ON BUDGET: The plenary session of the Hungarian Parliament continued on 8 November with the general debate on the 1996 budget bill. Gyozo Soos MP, speaking for the Hungarian Socialist Party (MSZP), said he supported the budget bill, but indicated that the MSZP would submit several amendments, mainly on local government finance. According to Soos, the economy will still be able to function despite the Ft125 billion deficit allowed for in the bill for 1996. Bela Csepe, speaking for the opposition Christian Democratic People's Party (KDNP), said he does not agree with the thinking behind the budget, which is based on a restrictive economic policy. At the same time, it takes no account of the social effects of this, for instance, the continuing impoverishment of the middle class. MP Mihaly Varga of the opposition Federation

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of Young Democrats-Hungarian Civic Party (FIDESZ-MPP) said he also rejected the 1996 budget because its restrictive economic policy would endanger political and social stability. MP Peter Zwack (independent) was also critical, mainly of the measures affecting the middle class. In his view, a single measure against the black economy would yield more revenue for the budget than these measures. In his reply, Minister of Finance Lajos Bokros said that while they were in office, the Christian Democrats had tried to bring about economic growth with a policy that stimulated supply, however, this had led to the dramatic increases in the budget deficit and in the deficit on current account. In answer to Varga's contribution, the minister said it was incomprehensible that the FIDESZ-MPP accuses the government of destroying the economy, as Varga agrees with the monetary policy measures, while the welfare parts of the cabinet's economic stabilization package had been, for the most part, annulled by the Constitutional Court. (Budapest MTI in English 1154 GMT 8 Nov 95)

FOREIGN EXCHANGE LAW: In its 7 November plenary session, Parliament enacted a foreign exchange law with an overwhelming majority. The law will take effect on January 1, 1996. Under the new foreign exchange code, the forint will meet all requirements of convertibility as defined by the International Monetary Fund. As far as the companies' current financial transfers are concerned, the forint is already convertible. The new law will now make it easier for private individuals to use forint for the purchase of services and commodities abroad. From next year on, Hungarian citizens holding forint cards or registered savings deposits will have free access to foreign currency abroad. The tourist allowance, which amounts to $800 a year and is available for each Hungarian citizen against cash, will remain in force. Hungarian companies and businesses will be allowed to found companies or acquire stakes in existing ones without any limitation. The stake of the Hungarian investor, however, should always exceed 10 percent of the assets of the foreign venture. The company to be founded or acquired should be based in an OECD member state, with which Hungary has concluded a mutual investment protection agreement. Hungarian private individuals and businesses wishing to invest in securities issued abroad will still require a foreign exchange licence. (Budapest MTI in English 2041 GMT 7 Nov 95)

TAXATION REFORM PROPOSALS: "Although interest coordination talks are not yet over, the cabinet has decided it will submit its proposal on the 1996 personal income tax system to Parliament on 27 October, and if MPs do not receive the bill in time, that could endanger the punctual approval of the 1996 budget bill," administrative State Secretary of the Prime Minister's Office, Elemer Kiss, told reporters. The State Secretary also said the bill is not the amendment of the currently valid law. The Ministry of Finance has worked out a draft of a new structure. The cabinet plans several essential changes. For instance, the draft includes two tax proposals. Under the first tax proposal, a 20 percent income tax will have to be paid on incomes up to Ft150,000, 25 percent for incomes over this and up to Ft220,000, 35 percent up to Ft380,000, and 40 percent up to Ft550,000. Tax on incomes over Ft550,000 per year will continue to be 44 percent. The cabinet wishes to compensate wage and salary earners for the elimination of the zero tax bracket, which is why the bill features a second proposed scale of brackets. Based on this, wage earners with annual income less than Ft960,000 would fall in the zero tax bracket up to annual incomes of Ft200,000, 27 percent tax between Ft200,000 and Ft300,000, 35 percent over this and up to Ft600,000, and 60 percent for the Ft600,000 to Ft960,000 bracket. This proposal would mainly favor those with lower incomes. (Budapest MTI in English 1923 GMT 26 Oct 95)

INDUSTRIAL PRODUCTION: Between January and August 1995, industrial output continued to increase, though at a slower pace than last year. There was a significant change in the amount of products manufactured for export, while at the same time, there was a major improvement in agriculture. State purchase prices for agricultural products increased, enabling farmers to gain more profit. The internal and external financial balances began to improve, the Central Statistical Office informed MTI. In the first eight months of the year, industrial production was 7.4 percent higher than in the corresponding period of last year, mainly thanks to exports. Domestic sales rose only by 1.4 percent in these eight months. Due to staff cuts, the productivity of industry improved by 12.4 percent. The state purchase prices of agricultural products rose by 13 percent in one year. Of cereals, the largest amount bought was wheat—37 percent more than last year. Though at a decelarating pace, the foreign trade balance continued to deteriorate: in the first eight months the deficit amounted to $2,467 million, only $80 million less than last year. The volume of export rose by 4 percent and import was 3 percent less than in the previous year. At the end of September, the budget deficit amounted to Ft216 billion—Ft60 billion more than targeted for the whole of the year. From January to August, the monthly wage of full-time workers was Ft37,924 on average, 20.7 percent more than last year. Net earnings were Ft25,340 per month on average, 15.6 percent up on last year. Net real wages (with consumption prices taken into account) decreased by an

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average of 9.7 percent. (Budapest MTI in English 1426 GMT 27 Oct 95)

REAL WAGES TO GO DOWN: The government insists that real wages should decrease by a certain extent next year, Finance Minister Lajos Bokros told Duna Television on 29 October. In the price-wage accord proposed by the trade unions in the Interest Coordination Council, the government seeks to reach an agreement on how the burdens of real wage cuts should be distributed among the various employee groups, the minister said. It should be taken into account that public employees are relatively underpaid, Bokros said. He added, however, that there would be layoffs in the public sector next year. Real wages will be reduced through the introduction of higher contributions to the pension fund at a date not yet specified. The government reckons with a 19-20 percent inflation and a 17-18 percent increase in nominal wages next year, the minister said. The deficit of the central budget should not exceed 4 percent of the GDP, he said. (Budapest MTI in English 1957 GMT 29 Oct 95)

GUARANTEE TO BOOST EXPORTS: Next year, the EBRD and the Hungarian Foreign Trade Bank will provide a joint bank guarantee of $50 million for Hungarian exporters. After signing the agreement the heads of the financial institutes said that first and foremost they want to give a boost to the export of Hungarian machinery and medicines. With providing the guarantee they want to see more and more Hungarian companies venture again to the markets of the former Council for Mutual Economic Assistance countries. EBRD's director in Hungary said that trade has been held back as exporters wanted the money in advance and in cash. The gist of the method is that the trader will pay 1-2 percent of its revenues to the Foreign Trade Bank. In return the bank will guarantee that the trader will get his money at all events. The agreement is favorable for the London-based EBRD, too. It will not only receive a commission, but as a 17-percent owner of the Foreign Trade Bank will receive a share from the expected profit. (Budapest MTV Television Network in Hungarian 1830 GMT 3 Nov 95)

EXPORTS SET TO HIT RECORD: The Ministry of Industry and Trade expects Hungarian export to hit a new record this year. In the first three-quarters of 1995, Hungary's sales abroad amounted to $8.8 billion, 18.4 percent more than in the same period last year. Imports increased to $11.2 billion, by 10.3 percent. The trade deficit—$2.4 billion—has barely increased in the past few months—September's figure of $39 million was the lowest in the past three years—and is not expected to increase by the end of the year. The export structure remained by and large unchanged, with 72 percent of exports going to the advanced industrial states including 64 percent to the EU member countries. The former socialist countries accounted for 24 percent, and the developing countries for 4 percent of Hungarian sales. Up to late August 1995, foreign direct investment in Hungary totalled $9 billion. This year such investments amounted to $808 million, corresponding to 89 percent of last year's figure. (Budapest MTI in English 1252 GMT 3 Nov 95)

Poland

LD0611201395 Economic Review— FOR OFFICIAL USE ONLY

RAPID GROWTH IN ECONOMY: According to the estimates of the Institute for Research on Democracy and Private Company of the National Chamber of Commerce (KIG), the economy in 1995 is still rapidly growing and exports will boost this growth in the months to come, KIG Director Mieczyslaw Bak said at a news conference on 6 November. The growth of the GDP in the first quarter of 1995, amounting to 7 percent, compared with the corresponding period of 1994, slowed in the third quarter of the year to 5 percent and it is expected to reach 5.5 percent in the last quarter of the year. In 1995, the growth in Poland's exports in dollars should rise by 35.5 percent against 1994. In the October-December 1995 period, exports will rise by 30.58 percent and imports by 8.13 percent, the KIG claimed. Poland's foreign exchange reserves will continue to increase, the chamber added. Exports' growth is caused by improved condition of large industrial sector. The number of the jobless is falling, but according to the KIG estimates, the unemployment rate will not drop below 15.6 percent of the workforce by the end of 1995. In the chamber's forecast, the December 1994-December 1995 inflation will be 25.4 percent. (Warsaw PAP in English 1956 GMT 6 Nov 95)

Romania

AU2410135495 Economic Review— FOR OFFICIAL USE ONLY

1996 DRAFT BUDGET: The Romanian Government discussed on 31 October the bill on the 1996 state budget, that had been elaborated in keeping with the prognosis for next year, with the economic-social strategy, and taking into account the achievements expected for the year 1995. The budget bill is intended to consolidate the macroeconomic stability, to reduce the deficit of the trade and payments balance, and to boost the process of restructuring and acceleration of the privatization, supporting the investments in the production, in

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the infrastructure as well as the social security. The budget bill has been drawn up on the basis of an economic growth of 4.5 percent as against 1995, with the inflation rate not higher than 20 percent for the whole year. The deficit calculated at the level of the consolidated general budget of the state represents 2.9 percent of the GDP. The proposed budget is, in the conditions of limited internal and external funding, an austerity one, In 1996 the transfers from the state budget to local budgets will increase by about 30 percent on the previous year. The budget bill will be referred for adoption to Parliament. The state budget for 1996 stays an austerity one, Romanian Minister of Finance Florin Georgescu told a briefing on Wednesday, 1 November. Florin Georgescu stressed that the budget was based on an economic increase expected to be 4.5 percent, compared to 1995, and a rate of inflation of some 20 percent. The budget project, reflecting the cost of the restructuring in Romania, was drawn up consistent with Romania's national strategy to join the EU, as well as the latest evolution of the world economy. According to the data released by the minister of finance, the profits of the state budget account for 18.4 percent of the GDP, while the expenses account for 22 percent of the GDP. The deficit, calculated at a state's consolidated general budgetary level, accounts for 2.9 of the GDP. The project, passed on 31 October, in the governmental meeting, and forwarded to Parliament, is aimed at maintaining and strengthening the macroeconomic stability reached over the past few years and it starts with the Romanian economy's evolution, which Florin Georgescu deemed as "favorable." (Bucharest ROMPRES in English 0745 GMT 1 Nov 95)

UNEMPLOYMENT: The unemployment rate in Romania has reached 9.2 percent this month, as compared to 9.3 in September, this year, the Ministry of Labor informs. The unemployed scored at the territorial labor offices on October 20 rose to as many as 1,028,742 people, of whom 578,243 were women and 793,927 received unemployment benefit. As many as 650,013 people, out of those who received unemployment benefit, were workers, 130,551 were high-school people, and 13,363 were university people. (Bucharest ROMPRES in English 1210 GMT 24 Oct 95)

PROFIT TAX BILL: The plenum of the Romanian Senate debated and voted on 25 October the draft law for the approval of the Governmental Ordinance 70/1994 on the Profit Tax. The profit tax will be lowered as follows: For the tax-payer with more than 250 employees, out of which at least 3 percent disabled persons, for those who cash income for the export of their own goods, and for those who cash income for international services the income will be lowered by 50 percent; for the profit used for up-dating manufacturing technologies in the current financial year with a view to obtaining supplementary profits the tax will be lowered by 50 percent. The same lowering applies for the investments in the environmental protection. The ordinance stipulates that the following institutions are exempted from taxation: the state treasury, for the operations from public funds; the public institutions, for the constituted public funds; the blind's and invalids' organizations, the disabled's associations and their economic units; humanitarian associations; units belonging to the religious cults, for the income resulting from the production and capitalization of cult objects. (Bucharest ROMPRES in English 1718 GMT 25 Oct 95)

STOCK EXCHANGE TO OPEN: Stere Farmache, the president of the Romanian Stock Exchange, announced in a news conference that the stock exchange would start operating on November 20. According to some information put out by the daily CRONICA ROMANA, 12 companies qualified for the exchange operations are the following: Artrom S.A. Slatina, Mobila Alfa S.A. Oradea, Apsa S.A. Baia Mare, Comelf S.A. Bistrita, Astra Vagoane Arad, Iaifo S.A. Zalau, Mecanica Sighetu S.A. Sighetu-Marmatiei, Carne-Arad S.A., UAMT S.A. Oradea, Azomures S.A. Targu Mures, Sanevit S.A. Arad. (Bucharest ROMPRES in English 1417 GMT 8 Nov 95)

BILL ON FOREIGN LOANS: The Romanian Senate debated and approved in plenum a bill on the capacity of the Ministry of Finance and Romanian National Bank (BNR) to make average and long-term external loans, as well as to approve a maximum limit of the 1996 external public debt. The Ministry of Finance will be authorized to get state currency loans from the international capital market, and BNR will carry out average and long-term external loan operations. These capacities will improve Romania's credit conditions, its access to the category of average and long-term financial loans, a diversification of credit instruments, a consolidation of its international reserves at a cumulated level of $1 billion. The government suggested a maximum limit of the 1996 external public debt amounting to $3 billion to achieve these goals. The text of the adopted bill includes an amendment of the budget and finance commission to the government obligation to acquaint the parliament at every six months with the external credits, the contract conditions, the granted guarantees, the way of usage and the scheduling of installment and interest payment. (Bucharest ROMPRES in English 1338 GMT 9 Nov 95)

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Slovakia

AU2410181495 Economic Review— FOR OFFICIAL USE ONLY

ECP FIGURES ON ECONOMY: Chairman of the Statistical Bureau of the Slovak Republic (SUSR), Stefan Condik, along with other representatives of the office have acquainted journalists in Bratislava on 27 October with the results of the European Comparison Program (ECP) over 1993, the goal of which is to evaluate the efficiency of the individual European countries' economies, including Slovakia. From the ECP's evaluation of the GDP per capita of specific countries, taken as a percentage of Austria's GDP, it came out that the Czech Republic has the biggest share (44.1 percent). Hungary was second (31.7 percent), and the Slovak Republic took third position (29.4 percent). Poland had the lowest share (24.6 percent). The countries ranked the same when comparing the expenses of state administration per citizen, but the figures were a bit more favorable for Slovakia. Concerning usage of GDP, comparison of the creation of gross fixed capital was the most unfavorable. This was caused by the high bulk of foreign investment in Austria on the one hand, and the difficult economic situation and low purchasing power of the evaluated countries' currencies on the other. The ECP's results also showed that in 1993, the parity of purchasing ability for all countries compared, taking into consideration the level of GDP, was significantly lower than the exchange rate. This means that internal purchasing power was higher than external. (Bratislava TASR in English 1418 GMT 27 Oct 95)

1996 STATE BUDGET: The latest draft budget for 1996 forecasts these macroeconomic trends: a GDP increase by at least 5 percent, an inflation rate of 6 to 8 percent, and average unemployment below 13 percent. Budget revenues are estimated at Sk157.2 billion and expenses at Sk184.2 billion. The Slovak cabinet will probably debate this draft budget on November 7, 1995. In the above budgetary proposal, the GDP (which is quoted in current prices) should reach some Sk530 billion. The forecast for GDP increase was based on the assumption that it would be effected not only by progress in foreign trade, but more dramatically compared with last year by growing domestic consumption. (Bratislava TASR in English 1703 GMT 27 Oct 95)

FOREIGN TRADE SURPLUS: Slovak foreign trade in the first nine months of 1995 totaled 372.1 billion Slovak korunas (Sk), an increase of Sk66.1 million (21.6 percent) over the same period last year. This information comes from a SUSR report, provided to SLOVAKIA on 24 October. Slovakia's trade balance was positive, with a surplus of Sk1.2 billion in September 1995 and Sk2.8 billion since the beginning of this year. Slovakia's trade balance surplus was with the countries of Germany, Sk9.4 billion; Italy, Sk341 million; the Czech Republic, Sk14.2 billion; Hungary, Sk4.5 billion; Poland, Sk2.9 billion; India, Sk952 million; Ukraine, Sk916 million; and Romania, Sk682 million. Slovakia had a negative trade balance with Russia of Sk24.6 billion; Finland, Sk674 million; Sweden, Sk538 million; Great Britain Sk431 million; Austria, Sk392 million; France, Sk3[illegible] million; and Switzerland, Sk1.7 billion. In the first nine months of 1995, Slovak exports were Sk187.5 billion, which is Sk33.7 billion (21.9 percent) more than in the same period in 1994. The largest portion of Slovak exports went to the Czech Republic (35.5 percent), Germany (19 percent), Austria (4.9 percent), Italy (4.7 percent), Hungary (4.6 percent), Poland (4.4 percent), Russia (3.5 percent), and France (2.1 percent). Slovakia imported goods worth Sk184.6 billion in the first nine months of 1995, an increase of Sk32.4 billion (21.3 percent) compared to last year. The Czech Republic (28.3 percent), Russia (16.9 percent), Germany (14.2 percent), Austria (5.2 percent), Italy (4.5 percent), Poland (2.9 percent), the United States and France (each 2.3 percent), and Hungary (2.2 percent) contributed the most significantly to Slovak imports. (Bratislava TASR in English 1546 GMT 24 Oct 95)

INFLATION: In the first half of 1995, Slovakia reined in its inflation to an average of 3.1 percent, down 1 percent from mid-1994, an NBS mid-year currency review indicates. The parliament was informed by NBS Governor Vladimir Masar that three factors have been decisive in controlling consumer prices—a stable tax system, the delayed effects of earlier price regulation, and a strict budget discipline. Thumbing through a list of achievements, the report pinpoints the increase in foreign exchange reserves, reaching an additional $876 million from the end of 1994, closing at a mid-year $2.6 billion. The hard currency reserves equal 3.1 months' worth of goods and services imports to Slovakia in 1995. On June 30, 1995, the state budget measured a slight surplus of Sk100 million, which NBS explained would be higher had Slovakia not spent an unanticipated Sk3.1 billion in the settlement that meant the termination of its clearing arrangement with the Czech Republic. Despite that, however, Slovakia was in the position of a creditor during the entire six months. Total budgetary expenditures for the period amounted to Sk75.3 billion, some 45 percent of the total annual budgeted disbursement. At the same time, the current account of country's balance of payments registered an excess of Sk8.3 billion, due in part to a trade balance surplus of Sk87 million—26 percent (Sk102.4 billion) more than a year ago of Slovak products exported to mainly the Czech Republic, Germany, and Austria.

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Meanwhile, imports from primarily the Czech Republic, Russia, and Germany added up to Sk102.3 billion. Keeping low monthly inflation rises, the NBS was able to cut its discount rate by one point to 11 percent in March, concludes the report. (Bratislava TASR in English 1753 GMT 8 Nov 95)

JAN-SEP ECONOMIC DATA: Slovakia's industrial production in September outdid last September's by 13.2 percent, with mining, down by 9 percent, being the only industry to slide, according to a SUSR review on basic tendencies in chosen industries. During the first nine months of the year, Slovakia's manufacturing industries produced an equivalent of Sk362.2 billion, some 8.4 percent up from last year (in prices adjusted to inflation). The construction industry's monthly output was up by a modest 1.7 percent from September 1994. For the first three-quarters of the year, there were construction projects worth roughly Sk36.3 billion, which is about 3.9 percent more than in the same period last year. In current prices, seed corn and seedlings set aside, farming enterprises reported a 7.9-percent lower turnover than in the same month last year. In the entire January-September period, farmers earned Sk21.6 billion (without seed corn and seedlings), closing 3 percent above last year's January-September sales. A 1.4-percent decline in vegetable production income was more than offset by a 5.2 percent growth in the sale of animal products. In September, statisticians found that retailers sold some 16.6 percent more than in 1994, (in prices adjusted to inflation). Retail sales over the first nine months of 1995 equalled Sk199.4 billion, beating last year by 19.9 percent. Adjusted to inflation, the annual rise equals 8.1 percent. The total workforce in September showed there were 4.2 percent more workers in manufacturing, and 7.9 percent more sales attendants than in September 1994. The construction industry and transportation businesses, respectively, employed 1.6 and 3.1 percent fewer people than a year ago. Data for the first three quarters of the year indicate an expansion in the manufacturing workforce by 3.8 percent, as well as a 9.8-percent growth in sales personnel. While building companies seem to have laid off about 0.3 percent of their employees, transportation enterprises' cutbacks were reported at 3.7 percent. Out of total production, private businesses accounted for 63.7 percent in manufacturing industries, 80.6 percent in the construction industry. An overwhelming 92 percent of aggregate retail sales was handled in private stores. In road transportation, private truckers conveyed some 59.9 percent of the total cargo. (Bratislava TASR in English 1908 GMT 8 Nov 95)

STOCK EXCHANGE TRADE VOLUME: In October, the trading volume on the Bratislava Stock Exchange's (BCPB) floor exceeded Sk6.8 billion, BCPB brokers told a press conference on 9 November. The trading volume increase is 70 percent up from September. More than 7.7 million shares were traded in October which is a 1995 record. According to Marian Sasik, the BCPB secretary general, direct sales continue dominating at BCPB making up 99 percent of all concluded deals (direct sales are concluded outside the stock exchange and are only registered there). The increase in trading volume and number of shares traded was accompanied by increase in shares prices. In October, shares of VSZ ironworks led the ladder of most heavily traded shares on BCPB. BCPB reports VSZ bond deals totaling more than Sk1 billion. Dunako Dunajska Streda shares recorded the biggest price drop (more than 77 percent). The other companies that recorded price shake were IF Agrofond (70 percent decline) and Tatra Nabytok Pravenec (more than 69 percent down). On the other hand, shares of Drevovyvoj Bratislava reached Sk1,100, up Sk1,010 from August, which is 1,122-percent price growth. The price of Slovensky Postovy Fond shares increased by 500 percent and price of Masokombinat Novum Nove Zamky shares went up by 261 percent. (Bratislava TASR in English 1342 GMT 9 Nov 95)

FOREIGN INVESTMENTS UP: The total volume of foreign investments to Slovak companies reached Sk19.8 billion by the end of September 1995. Compared with the end of July 1995, the volume increased by 12.8 percent, which is the biggest increase this year, says the SUSR Report on Foreign Investments in Slovakia. Foreign capital was invested in 8,469 companies. Concerning the structure of investments, the biggest volume was invested into industry, trade, financing, and insurance companies. At the end of September, the most important investors, who invested more than Sk1 billion, were from the following countries (ranked according to volume of investments): Austria, Germany, the Czech Republic, the United States, France, and the Great Britain. The situation in foreign investments during the third quarter of 1995 was influenced by an establishment of three branches of foreign banks in Bratislava, the Austrian Bank Austria Co., the Czech Komercni Banka Co. and the U.S. Citybank Co. with contribution of British capital. (Bratislava TASR in English 1333 GMT 9 Nov 95)

INVESTMENT AGREEMENTS: On 8 November, during the first day of the 11th parliamentary session, the Slovak Parliament discussed four international agreements. The cabinet has submitted blueprints of agreements on support and mutual protection of investments with Poland, Ukraine, Slovenia, and Tajikistan to the parliament for approval. The Vice-Premier and Minister of Finance Sergej Kozlik emphasized that these agree-

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ments are in accord with international standards. Parliament approved the aforementioned agreements and they were duly advanced to President Michal Kovac for signing. (Bratislava TASR in English 1622 GMT 8 Nov 95)

LOAN WITHOUT STATE GUARANTEE: Kosice-based VSZ Co. (East-Slovak Ironworks) was the first Slovak private firm to be provided with a standard Eurodollar loan without any state guarantee. VSZ acquired the loan, amounting to $35 million, from Merril Lynch Capital Services company, Inc., headquartered in New York, according to the information provided to SLOVAKIA by VSZ Public Relations Desk on 9 November. The loan, guaranteed by VSZ Ocel (VSZ Steel) and VSZ ZOS (VSZ Foreign Trade Company) companies, will be used for investments, connected with innovation of production of auto body sheets by desulfurization of pig iron and with activities of ecological character. The loan is payable in 2002 with the possibility of preliminary settlement by both sides after three and five years from its withdrawal. Signing of this agreement, as well as other offers by foreign investors, prove that they still consider VSZ to be a reliable partner, regardless of a recent tragic accident. By the end of September 1995, after-tax profit of VSZ Kosice was Sk1.083 billion, which is an increase of Sk590 million when compared to the same period of last year. The profit, Sk47 million higher than originally planned by company's management, was mainly achieved thanks to stable prices of decisive inputs and optimum sales prices of VSZ products. (Bratislava TASR in English 1900 GMT 9 Nov 95)

FINANCING OF MOCHOVCE: According to representatives of ENERGIA 2000, an initiative for alternative solutions to the problems of the Slovak power industry, the government's financial program for the completion of the Mochovce nuclear power plant is unrealistic. None of the banks that are supposed to provide the bulk of financial resources to finance the project knew about their participation. The environmentalists informed the Dutch ABN AMRO Bank and the Swiss Union Bank of Switzerland that, in an official document of the Slovak Government, they have been designated as potential sources of credits for the completion of the Mochovce nuclear power plant. From the letter of the ABN AMRO Bank's press spokesman it transpires that the bank is not involved in the financial plan. It is incomprehensible, on the basis of what circumstances the above bank found itself in this position. The Union Bank of Switzerland, too, denied its participation in the Slovak financial plan for Mochovce. In this connection, the responsible government as well as other institutions were asked how the English name of the institute, Union Bank of Switzerland, made its way into this plan. The offer to mediate the $1.2 billion credit was submitted by the companies 3E, 3T, and VCT. At the same time, the potential providers of the credit wanted to remain anonymous until the financial plan is approved. Because both banks have denied their participation in the financial plan, the three companies cannot be regarded as reliable partners. The question of financing more than 60 percent of the required sum remains unsolved. For the remaining 40 percent there are offers, though their reliability and advantageousness have not yet been confirmed. The only thing that is evident is the Western investors' unwillingness to invest in outdated and dangerous Soviet technology. (Bratislava NARODNA OBRODA in Slovak 26 Oct 95 p 5)

DATA NETWORK TO BE SOLD; Representatives of the Administrative Board of EUROTEL, a Slovak-American joint venture, met in London during 21-22 October and concluded an agreement on the sale of the data network of the Slovenske Telekomunikacie (Slovak Telecommunications—ST) state enterprise, which holds a 51 percent stake in Eurotel. They also discussed the joint course of action in building a network of shops and uniform orientation in creating a joint image. The Administrative Board approved a change in the post of chairman. It proposed and appointed to this post P. Valent, the ST director general. (Bratislava PRAVDA in Slovak 27 Oct 95 p 6)

'UNRECOVERABLE' LOANS: The total volume of loans in Slovak banks amounted to Sk276.2 billion by the end of August 1995. About Sk130 billion (47 percent) are loans presumed to be not paid off in their full nominal value. Claims that Slovak banks consider unrecoverable amount to Sk86 billion. The total volume of claims with some probability of not being paid off almost amounts to the state budget annual income or almost 30 percent of GDP. Among the banks operating within Slovakia, the largest volume of so-called bad loans are shared by three largest ones—Vseobecna Uverova Banka (General Credit Bank), Slovenska Sporitelna (Slovak Savings Bank), and Investicna a Rozvojova Banka (Investment and Development Bank). These three banks share 75 percent of all loans, but their share in bad loans is 90 percent. An analysis made by National Bank of Slovakia (NBS) supervisory board shows that the largest banks are Sk19 billion short of resources for covering their risks. Ladislav Seticky, the director of the Finance Ministry's banking department claims that banks can accumulate a part of necessary resources from the interest margin that is higher in Slovakia than is typical for developed countries. A new income tax law will bring further improvements in the creation of resources for covering risk assets by banks. This law will allow to deduct adjustments

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to loan capital of classified loans from the tax base. Representatives of banks appreciate this measure, but as for them, other legislative steps must follow, that would address the problems of companies along with the "bad loans" problem. The cabinet should submit all draft legal standards regarding banking to the parliament by November 15, 1995. (Bratislava TASR in English 0914 GMT 8 Nov 95)

Slovenia

AU2810152495 Economic Review— FOR OFFICIAL USE ONLY

PHARMACEUTICAL SALES: Slovene trade with the Czech Republic will reach between $350 and $400 million this year. Last year's trade amounted to $295 million and the year before to a little less than $156 million. The trade with Slovakia, which will be around $140 million this year, is noting a similar growth. One of the most important Slovene companies on the Czech and the Slovak markets is Novo Mesto-based Krka pharmaceuticals enterprise, which is also the biggest supplier of imported medication. "Krka has been present on this market for more than 20 years. It was the first to supply Czechoslovakia with modern medication at that time still within clearing arrangements. When Krka entered this market it also estimated very well the price of the medication that the market would tolerate. All this has also helped Slovenia register nonlicensed medication very rapidly—the Czech Republic is one of the few countries that registers all medication, about 1,000 new ones each year," Andrej Dobrovsek, director of the Krka's representative office in Prague, said, adding that by the end of the year, their office will employ 20 people, of whom 17 are domestic experts who are in charge of marketing medication to the Czech physicians and buyers. The representative office that—as a result of changed circumstances opened in 1992—will, at the beginning of the coming year, transform itself into a company and will employ a five other experts. Two years ago, Krka sold $9 million to the Czech Republic and $4.5 million to Slovakia. Last year, sales on the Czech market reached $15 million and $9 million in Slovakia while, this year, Krka anticipates sales of $16 million on the Czech market and $7.5 million in Slovakia. This year, Krka also started selling veterinary drugs in the Czech Republic. "There are 33 representative offices of Slovene companies in the Czech Republic, and Krka was the first among them. As of 1 January 1996, this will be a free trade zone and those who are dozing at home will regret it," says Slovene Ambassador in Prague Zvone Dragan. (Ljubljana DELO in Slovene 20 Oct 95 p 3)

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